

COMMITTEE ON FINANCE

April 5, 2004

6:30 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Garrity.

A moment of silent prayer was observed.

The Clerk called the roll. There were thirteen Aldermen present.

Present: Aldermen Roy, Gatsas, Guinta, Sysyn, Osborne, Porter, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Forest

Absent: Alderman Thibault

Messrs.: Superintendent Ludwell, Assistant Superintendent Bass, Bill Sanders, Kevin Clougherty, Mark Burkush, Karen Burkush

Mayor Baines stated the purpose of the meeting is to discuss the FY2005 School District budget. Before we introduce the Superintendent I want to take just a couple of moments to correct an abundance of misinformation that you've been reading in the local press lately about spending and what's been happening at City Hall. Unfortunately, they got a hold of some numbers and didn't come in and talk to the Finance Officer, his deputy about what the numbers represent and presented a series of charts and graphs, which were totally inaccurate and not fair. This is the way the chart should have looked looking at exactly what's happened with the Mayor's budget and the adopted budget and you see how close it falls along. When you get into this area this is where we are now and this is relates to increased debt service...a lot of it associated with the school construction project. So, the chart that you saw was misleading, inaccurate, and did a disservice to a good solid debate about the funding for the budget that I presented to the Board of Mayor and Aldermen. Secondly, another issue that's been put forward is that somehow spending has been out-of-control over the past five years. The facts point to a totally different situation. The two years before I became Mayor, before many of us in this room sat here...this was the increase in spending...by the way the chart in *The Union Leader* put the spending in the previous administration's in my calculations and budget when I brought it to the attention of the City Editor

that they had done that...first he debated it and then he said you're right we did include the full previous administration's number, but you haven't read about that and nor will you. But, then you look at the percentages here over these two years and close to 24% increase in spending...the two years before I became Mayor of Manchester and many of us sat on the Board of Mayor and Aldermen and then look what's happened over the last five years...these are increases in spending. The reason you had the big jump here was that was the aftermath of 9/11 and the havoc that was wreaked with the investments and the retirement system's increase in cost that we had to absorb and also the skyrocketing insurance costs that we absorbed within that number that year. Every community in America grappled with those issues in that year. But, subsequent to that we had a 3.39% increase in spending, a 3.98% increasing in spending, and this year projected 5.1%...we're very early in the budget process, we know that will probably come down a little bit. So, these are the facts and what you read in the paper was the fiction. So, we're trying to set the record straight so that we can have a good discussion about exactly what's happening with spending in the City of Manchester. So those are the accurate information prepared by the Finance Department and totally different from what you read in the local newspaper. Now, we'll take a couple of minutes to shift over to the School District's presentation.

Superintendent Ludwell stated good evening and thank you for the opportunity of sharing with you the proposed School District budget for 2004-2005. We'd like to begin tonight by going through the budget providing a rationale for it, some of these slides are different based on input that we received from Aldermen at the last meeting and then we'd like to end the presentation with an attempt to reconcile the proposed Mayor's budget with the School District's budget. We want to begin by sharing some of the recent district accomplishments and they're listed there for you. One, of course, was the elimination of the deficit, equally important to us as educators is beginning to reduce the dropout rate and we've implemented numerous programs to that effort. We've also implemented the curriculum review cycle, we have the entire curriculum, every discipline on a cycle now and currently we will be completing the Social Studies curriculum review and revision and we're also entering into Math, Health and PE (Physical Education). But, I think it's important to remember that as we adopt a curriculum this is going to be a curriculum for 17,000 to 18,000 students. As you adopt a textbook for that curriculum it could easily be \$800,000 to \$900,000 per textbook adoption. We've also introduced numerous alternative education programs and that obviously is related to the dropout rate, but alternative education is not only for at-risk students. We've also included this year a staff A position for gifted and talented individual professional to begin development of the gifted/talented program and I know that Alderman Shea has supported this concept for several years. Also, we have no schools on the "need for improvement" list under No Child Left Behind and finally that we're making very strong effort to develop and improve positive or

develop our positive labor relations. The School District has both formal goals that are adopted by the Board and it also has some informal. The first three bullets relate to the formal goals that have been adopted by the Board of Education and they include a successful completion of the Design/Build process, to comply as early as possible with No Child Left Behind (NCLB) which includes providing for highly-qualified teachers and paraprofessionals and probably the most important part of that is to concentrate on efforts on improving student achievement. We are also intending another major goal is to continue to reduce the dropout rate. Along with the formal goals there are also some informal...those include negotiating 3-year contracts with teachers/principals/support staff...we work with four different unions in the School District, we would like to complete an elementary schools facility study and equally important is to maintain fiscal accountability. We've included a 12-year historical trend relative to enrollment and you can see that we are still increasing while the rate of the element is slowing down we still are experiencing an increase. We enrolled approximately 100 additional students this year and we're projecting another 100 to 125 new students next year. We thought it important to include information on how our graduates compare to graduates of other communities. And, as you see at the top we have the graduates of our three high schools compared to other New Hampshire communities and in every area whether it's post-secondary which includes both 2-year and 4-year college students, the military or the workforce we are very competitive or comparable to other New Hampshire communities. Drop-out prevention can also be viewed as persistence to graduation...how many students can we indeed enroll as ninth graders and nurture through and challenge them through a high school diploma and the data that you are looking at is annualized, but as you note we are making some, I believe, incremental but perhaps even more than incremental improvement in reducing the number of students dropping out of school. Currently, we serve over 148 students in both the PASS and Ombudsmen Program; we have a very active district Alternative Education Committee that's working closely with the Student Conduct Committee of the School Board. I think it's also important to take a look at who are the students that actually attend the schools in Manchester. We've listed the enrollment current about 17,700...at any given year Special Education students account for about 15%...over the course of a year we'll generally service about 3000 students in Special Education. ELL (English Language Learners) the old term was ESOL account for 10% of our student population. You also see our Homeless listed and then we have Free & Reduced Lunch and I believe 30% in the lower-right corner is somewhat misleading because we have some schools that have Free & Reduced Lunches as low as 6% and we have other schools with Free & Reduced Lunches as high as 82%. At the last meeting an Alderman asked that we update this, I believe this was originally taken from our October data...this is current data and you can see that this represents a number of sections of high school classes that have 30 or more students and you can see that Memorial has a very large number just basically

because of the trend that has taken place over the last few years and currently we have over 106 sections with 30 or more students. Friday I was talking to some teachers over at Memorial and I got some numbers and it's not uncommon at all for the core areas...Social Studies, English, etc.... many, many teachers there have between 140 and 150 students per day. Another area we looked at included elementary class sizes and where they might be over the State Standard and you see listed in your packet and on the screen the school, the grade level, and the average class size that we're projecting for next year. Mr. Sanders is now going to take over...we tried to give you an idea of the student population and we've mentioned before that we actually have an aging teacher population and that's a problem that's going to become even more critical in the next two, three, four years.

Mr. Bill Sanders stated thank you, Dr. Ludwell, good evening everybody. This chart really does depict the demographic profile of our teacher population. We saw this chart about a month ago, I'll quickly just touch on two items...300 of our teachers have 20 years or service or more. There's currently in the retirement plan for teachers...the NH State Retirement Plan a medical benefit of \$6,000 per retiree that's payable if you reach 55 years of age and 30 years of service with 60 years of age and 20 years of service. This retirement subsidy has a sunset provision of July 1, 2008. Anyone who retires after that date will not be eligible for the benefit any further. As a result we are currently anticipating that approximately 400 of our schoolteachers will retire in the next four years. Other points to keep in mind here are that this is across the State of New Hampshire, this is not unique to Manchester. So, all school district's across New Hampshire need to plan for the likely retirement of a substantial number of our most senior and experienced schoolteachers. The next chart is teacher salaries for the current teacher salary situation for Manchester. You can see the highlighted in yellow...our teacher salaries for a Bachelor's minimum, Bachelor's maximum...I think that's self-explanatory and we have benchmarked ourselves against school district's that we think are comparable to us and against whom we compete for teachers. You will recognize that you can see on the starting salary point of view Bachelor's minimum we rank 7th among those 11 towns...on the high end the Bachelor's maximum, the Master's maximum we are 3rd and 5th respectively. Those are really the areas where teachers are going to be retiring and we'll be looking to hire teachers and retain teachers at the starting level salaries and the mid-level salaries where we're much less competitive. One last point here this is today not going forward. At our last meeting I had gone through a negotiations status of all of these school districts...I think it was Alderman Roy who had asked me to put together a summary of the current contract status of all of those cities and we'll get that handed out here later this evening, but you will see a substantial number of the school districts you're looking at there are concluding teacher contracts in the three, four, and five percent range annually. The next chart is operating cost per

pupil. This is identical to the chart you saw a month ago with the exception...that is the state average in the northeast corner, the \$7,809. A couple of points to make on this chart are that the state average on sending pupils is increasing at about 7% annually. The Manchester average is about 5% annually. We have declined, as you can see, from the 1999 timeframe when we represented about 89% of the state average. We have dwindled to 84% of the state average. The next chart is also a chart that we showed you last month. Just a couple of points I would make are we are taking information here off of the DOE website on equalized tax rates. These are not the tax rates that show up on your property tax bills. They are equalized by the Department of Revenue Administration in Concord to provide some comparability amongst school districts and cities and counties across the state. Just walking down the chart you can see at the top we started with the City-County rate. You can see what the state average was in each of those years and then where Manchester is. The same on the school side. At the bottom you see what Manchester was as a percentage of the state average on City-County taxes and on School taxes. I think the important point to focus on here is if you go back to 1999 that was the first year before the Claremont decision rules kicked in and you can see at that time from the City-County perspective the tax rate in Manchester was 165% of the state average and the School tax rate was 104% of the state average. The Claremont money kicked in as you move completely to the southeast corner of the chart, the right-hand corner at the bottom, you can see we closed the last fiscal year...the City-County tax rate has maintained its standing with respect to the rest of the state at about 158% whereas the School district tax rate is now at 81% of the state average. A decline of 20% in four years. The next chart depicts a similar phenomenon. This is the Manchester property taxpayer's payment per student. If you go back to the 1998-1999 timeframe, we were at about \$4,897 per student. That is what the Manchester property owner was paying per student. After the Claremont decision and the Claremont funding came in, that declined to \$3,370 in 1999 and today we are at approximately \$3,685. That is a steep decline from where we were pre-Claremont. The next chart is a new chart that depicts what has happened to Manchester tax rates in the last two years specifically. You can see on the left hand side, the first three columns is what has happened to the Education tax and you can see the City tax for the total tax. You will note that in fiscal year 2004 the tax rate for the schools did not change. It remained at \$12.56. The local tax went up by \$.35. The state tax came down by \$.35. The overall tax for schools remained absolutely the same as the prior year whereas on the City side there was a 6% increase in the tax rate for an overall increase for the Manchester taxpayer of 2.9%. That is a blended rate and if you look behind the scene there you can see that the School District's tax rate did not move at all here. The next chart is a summary of major cost categories. I think this point has been made on a few different occasions so I won't dwell on it. I will only say that we have run it up through March now and it was as of February at the last meeting. We still...the seven categories – salaries, benefits, debt service, city services,

tuition, transportation and utilities still comprise 95% of the total expenditures through March. The next slide is a summary that is identical to what you saw a month ago comparing the School District's or Board of School Committee's request for \$140,820,000 to our prior year budget. That was an increase of about \$13 million before you consider the capital tuition that we have to collect from the sending towns. If we reduce it to that, it is about \$9.676 million or about a 7.6% increase. You can see the major drivers for the increase. I won't rehash those again now. We can talk about those later in the questions and answers and you can also see how we have adjusted those amounts to incorporate the Mayor's budget. The next chart is a summary of our expenditures. It is more by line item. One of the questions at the last meeting from one of the Aldermen was to get a five-year summary of expenditures. We have that summary with us here and will have it handed out. We have a five-year summary of revenues as well that we will hand out. Just a couple of items I would point out on this chart similar to what we talked about a month ago. Our transportation budget is up about 6% we are forecasting for next year primarily due to our special education transportation costs. The second item I would note is the fifth line down, which is tuition. We are confident that we are not going to see the significant increases in out-of-district tuition for special education students that we have seen over the last few years. Mrs. Burkush and the whole group that works on special education have made a lot of progress there and they feel confident. The last item I will point out on the chart is utilities. We do have an increase in utilities of almost \$300,000 due to rising utility costs, primarily electricity. One last item is the expendable trust, which is the third line from the bottom. We have also put into our budget for next year a \$175,000 contribution for our expendable trust for healthcare, special education, capital reserve, athletics and maintenance and repair expenses and we remain optimistic that the School Board or the Board of Mayor and Aldermen will approve our request for the expendable trust and I also want to focus your attention as well on the special education column. Next year we are projecting that we will spend nearly \$29.5 million of our total allotment on special education to comply with the federal laws in that area. That is not a discretionary expense by any stretch of the imagination and really does constrain our ability to deal with fluctuations in our budget. Because special education is required under the law, it forces us to look to our core programs and our general education area for cost savings. The next chart is our city services billings and our original budget request to you. A couple of things I will highlight very quickly because we will touch on them later. First off, the building maintenance budget we were requesting an increase of about \$1.2 million to move from our current \$.65/square foot up to \$1/square foot in terms of maintenance expenses. The City Highway Department had recommended that we get up to \$1.57, which is closer to the national average in the area. We couldn't get to \$1.57 in one year so we are hoping to get to \$1 this year to bring us closer to the national average. The second item I mentioned a month ago was Gill Stadium and our desire to negotiate some

sort of a rental agreement with the City so that we would definitively know what it was going to cost us to use Gill Stadium. I am happy to report that we have done that and there is a cost savings to the School District as a result of that. The next chart are our 29 positions that the School District came forward with and as we mentioned a month ago these 29 positions do not represent any enhancement in our current programs or our current sports offerings. They were solely to address class size issues that Dr. Ludwell talked about at the high school and elementary level, as well as to comply with mandated IDEA rules related to Individual Education Plans for special education children. We did also have three support staff that we hope to hire. We want to hire another secretary at Northwest School. They have 700 students and one secretary. We also want to hire at the School District level a Facilities Manager. We have a \$10 million annual budget and that person can help us prioritize our maintenance projects. We also want to hire an HR secretary. The next chart is similar to what you saw a month ago. There have been no changes here. I will point out that we are going to talk about the adequate education grant in a moment. That is the first line. I will hold my comments on that. You will see down on the middle of the page the tuition amount for the operating tuition from the sending towns. It is \$12,550,000 of operating tuition from the four towns and the capital costs tuition that Bedford will eventually lock into for our 20-year agreement. The next chart is a new chart with new information. Just for clarification purposes I think it is important that everyone understand what we have done with the adequacy aid. Obviously our budget includes \$45.1 million for adequacy aid based on the current law as it stands. SB 302 would increase the adequacy aid for the next year as we understand it to \$45.4 million and that has been reflected in the Mayor's budget. I want to go back one year if I might. The Board of School Committee's original budget in fiscal year 2004 included \$42.5 million of adequacy aid. The actual amount received this year will be \$45.6 million or \$3 million more than our original budget. The Board of Mayor and Aldermen elected to use that \$3 million of adequacy aid to lower property taxes. That was not passed on to the School District for their use. That served to reduce property taxes. That is one reason to explain that the tax rate on the School District side did not change last year over the preceding year. Our budget request for FY2005 is based on a consistent Board of Mayor and Aldermen response to fluctuations in adequacy aid. The next chart is our budget for School Food and Nutrition Services next year. This is identical to what you saw a month ago. I don't think there are any real issues here that I will dwell on unless you have some questions later. The next chart reflects the Administration's proposal and I want to point out that this has not been reviewed let alone approved by the Board of School Committee. It represents the Administration's assessment of how we might achieve the budget proposed by the Mayor. I will walk down the items quickly. First off we have reduced our new position request from 29 to 9. The nine positions that we are requesting are required under our special education rules. We have individual education plans for children so eight of those positions

are required for special education and one of those positions is required for the Office of Civil Rights and ELL (English Language Learners). Failure to comply with these IEP's will put us in non-compliance with federal law and could put at risk all of our federal grant monies, which are well in excess of \$10 million. That is \$850,000 in savings. As we mentioned a month ago, we have received some favorable information from Anthem, particularly Blue Cross/Blue Shield on what they thought we could do with our health rates next year and we have reflected in here a change now down to an 11% increase in our healthcare and dental rate experience. That is \$625,000. We now propose to move back on the building maintenance from what we had hoped to do, \$1/square foot, to \$.75/square foot. That is a dime higher than what we are paying today. That is a \$500,000 savings. We have also, as I said, successfully negotiated with the City a much better arrangement on Gill Stadium and we believe that is going to save us \$100,000 in our budget next year. Finally, the final rates on the City retirement system are now available. We are expecting a rate somewhere in the 8% rate. That is somewhat lower than what we were estimating a month ago and that is \$100,000. We are still working on the other \$145,000. There are probably four or five places that we will end up going but we believe we will get there. The next chart is meant to show you where our increases are if we adopt the Mayor's budget. Obviously the Mayor's budget would represent an \$11,425,000 increase over our budget this year of \$127,075,000. Of that increase the design-build debt service is \$5.2 million or 5.6% of that increase. The step increases for teachers are \$1.3 million and those are locked in under the current contracts. The combination of the step increases and the design-build represents 57% of that \$11 million increase. Our nine new positions in salary only are costing us about \$270,000. The other major contributor would be our proposed salary increases and the benefit increases for next year. That is 28% of the increase. Some increase in the building maintenance as we talked and other City services would be higher but basically at the end of the day in the Mayor's budget we are looking at 85% of the increase is made up of debt service, step increases, salaries and benefits. 85%. In the next chart we wanted to display for the Aldermen an appreciation for what we have tried to do on the School side in terms of finding additional revenue. It is easy sometimes to always start where we are at the end of 2004 but it might be better to go back to the beginning where we were a year ago and what we were trying to do and I am going to try to explain that right now. In our Board of School Committee request, we requested an expenditure increase of \$13.7 million but we had also included in that budget request on the revenue side increased capital tuition of about \$4.1 million and we had included higher adequacy aid. If I compare what we think is going to happen next year to what we thought a year ago was going to happen this year we are \$2.6 million higher in adequacy aid for a net increase on the expenditure side from the School side of \$7 million. Under the Mayor's proposal, we are looking at an \$11.4 million increase. \$4.1 of that is still coming out of capital tuition from the sending towns and actually with the Mayor

hopefully correctly assuming a higher number than we are in adequacy aid we are actually \$2.9 million higher in adequacy aid under the Mayor's proposal than we were a year ago for a net increase of \$4.4 million. One other point I wanted to make that is not on this chart that we want to tell the Board is we are feeling very confident that we are having a good year on the School District side this year. We haven't had extraordinary medical experiences. In fact, we have had some surprising experience in life insurance and worker's compensation and those areas and we now feel very, very confident that we will be able to deliver a \$500,000 surplus to the City of Manchester and to the taxpayers of Manchester when we close out our year on June 30. The next chart is a summary of where we were a month ago and where we are today. Initially I just want to talk about the Board of School Committee budget. The Board of School Committee budget addressed our current class size issues and they are significant. The Board of School Committee budget begins to improve our building maintenance situation, which is in need of being addressed on an ongoing basis. It helps to reiterate that 40% of our design-build costs are related to deferred maintenance. The School Board felt that this was very important to address in improving our building maintenance program. Both the Board of School Committee budget and the Mayor's budget preserve current programs and staffing. Any reduction from the Mayor's budget will directly impact programs and staffing. As many of you know, our contract with the MEA requires notice to teachers by April 15. Without a commitment from the Board of Mayor and Aldermen by April 12, next Monday night, the Superintendent will recommend that at least 45 teachers be noticed on or before the 15th of April. Possibly it could be closer to 60. We will see where we are as the week unfolds. Thank you.

Mayor Baines stated that concludes the School District presentation and I would like to open the meeting to questions from members of the Finance Committee.

Alderman DeVries stated I have a couple of questions. First, I noticed in the budget that you did not build anything in for impact fees. Is that correct that for the new additions there are not any impact fees to be built in to your revenue side?

Mr. Sanders replied that is correct. We did not build in any impact fees.

Alderman DeVries stated I understand that they are not built into your budget but are they not available.

Mr. Sanders responded they are available and the Mayor has incorporated in his budget \$175,000 of impact fees. From the School side there is not a great deal of money left in the impact fee account. There is about \$700,000. On the School side we wanted to preserve that money for potentially the elementary school

project that Dr. Ludwell mentioned earlier. That is why we originally built our budget without anything in it.

Alderman DeVries stated also the refinancing...I know we have had some conversations over the last few days that the City will be refinancing the design-build debt service. Do you have any update as to a potential reduction in what you will need to build into your debt service?

Mayor Baines responded I will let the Finance Officer address that because that fluctuates from day to day whether it is to our advantage to do that. Mr. Clougherty, would you please update the Board on that?

Mr. Kevin Clougherty stated as I mentioned at the last meeting to the Board, the market is moving away from us with regard to refunding. As the stock market improves every day that moves away from the position that we would like to see where we can do a refunding. If we had to do a refunding today there would be no savings. Hopefully with the authorizations that the Board has given to us over the next couple of months we will monitor it quickly and if we have an opportunity to move into the market we will but to try and project what amount of savings, if any, there would be over the next few months is really speculation.

Alderman DeVries asked over the next few months is what I am hearing on this side.

Mr. Clougherty answered right. As you know, the market evolves all the time and it could change tomorrow. The good news is that we have the authorization from the Board and we have the documents in place and we can move quickly if the situation becomes available. It just isn't available right now.

Alderman DeVries stated I have one final question if I might of the School side. The nine positions that are left in the proposal you showed us tonight, do you know where they would be used? Is that elementary or high school?

Mr. Sanders responded there is a chart in the package titled "New Positions." Of the nine, three of the positions would be at elementary schools, four would be at middle schools, one would be at a high school and one will be district wide.

Mayor Baines stated just to clarify they are all compliance issues related to requirements for IDEA (Individuals with Disabilities Act) and other requirements. We don't have any choice but to fill those positions. Am I correct on that?

Mr. Sanders replied that is correct.

Mayor Baines stated and if we don't fill the positions you said we are jeopardizing our federal funding because they will charge us for being non-compliant.

Mr. Sanders responded yes we would be non-compliant and we have had issues in the past years on that very matter.

Alderman Shea stated I have a couple of questions. Both Aldermen Lopez and I were looking at the chargebacks. How much scrutiny went into that? In other words, there were 25% increases in different chargebacks from different City departments. Was there much scrutiny on that? Did you go kind of negotiate? Did they tell you what they needed?

Mr. Sanders responded yes quite a bit of scrutiny went into that actually and if you are looking at the chart in the package we have improved this somewhat through negotiations. If you look at the chart on City services that is in the package, the one thing to isolate out is the building maintenance line because there was an effort that we agree with from the building maintenance side that we needed to be putting more money into building maintenance and into a preventative maintenance program. The City originally recommended \$1.57/square foot and actually had a number that was probably \$1 million higher than what you are seeing on this schedule. We had \$6.1 million in our proposed budget and they had a number that was near \$7 million when they proposed it. That was one level of scrutiny. We pulled that back originally to \$1 and now we pulled it back to \$.75 so we have probably taken off about \$1.5 million on the building maintenance side.

Alderman Shea asked how much is it now. In other words, before you pulled it back what was it?

Mr. Sanders answered what was recommended by the City was approximately \$7 million.

Alderman Shea replied no in terms of what you are paying per square foot now. How much are you paying now?

Mr. Sanders answered \$.65 per square foot.

Alderman Shea asked and you are raising it to \$.75 is that correct.

Mr. Sanders replied that is correct.

Alderman Shea asked on the recommendation of Building Maintenance.

Mr. Sanders responded no. Building Maintenance recommended that it be raised to \$1.57 per square foot.

Alderman Shea replied I realize that but you are dropping it because they will not accept \$.65.

Mr. Sanders responded we could go back to \$.65. We want to make some incremental improvement in our building maintenance and we were hoping to be able to do that at least at the \$.75 level.

Alderman Shea asked so what you mutually agreed to was \$.75. In other words you agreed to it but have they agreed to it? I am trying to get a handle on where it is.

Mr. Sanders answered I don't know if they have agreed to it but this is going to be what we are prepared to pay and if this is the approved budget we will be advising Building Maintenance that we are at \$.75.

Mayor Baines stated they would like it to be twice as much, Alderman.

Alderman Shea responded I realize that but basically what you are saying is you are going to renegotiate with them so their original amount of money is going to be lowered to what you are going to give to them. Is that correct for the chargeback?

Mr. Sanders replied yes.

Alderman Shea stated I have another question in regards to the Anthem benefits. Could you go through that again? Did you say that you were going to reduce it by \$650,000, which is an 11% increase on your benefits? My question is who negotiated with them? Did you have any negotiating strategists or anyone working for you in order to do that or did you just kind of...they gave you a figure and you said that is a little bit high and we will go back...how much thought process went into the negotiation with Anthem? On the City side we have a negotiation team. Do you have a negotiation team at the School Department?

Mr. Sanders responded there are a couple of us that are a negotiating team for the School District but I want to answer your question. We are self-insured at the School District.

Alderman Shea replied we realize that.

Mr. Sanders stated so any negotiation with Anthem on what medical experience and trend and utilization is going to be is somewhat wishful thinking about next year. The only thing that you can impact on in a self-insured program is your administrative fees with Anthem and we have gone back and forth with Anthem on administrative fees but the 11% increase that we are looking at year over year I think is comparable on the City side. You are probably at 9% or something like that.

Alderman Shea replied that is quite a difference if it is 11% to 9%. I mean regardless of what you may say that is quite a difference in price. Did you negotiate with any other companies in order to get any feedback at all?

Mr. Sanders responded no we didn't.

Alderman Shea asked are your benefits a large amount. In other words, are you paying a large amount of money so it would have been helpful to have some sort of comparison with another company in order to maybe contrast and compare what you might be able to benefit from negotiating with one company and maybe playing off that company against another or using some strategies or do you simply deal strictly with Anthem?

Mr. Sanders answered I will digress for a moment. We have talked internally about putting together a request for proposal on medical and dental services.

Alderman Shea asked did you have a request for proposal.

Mr. Sanders answered no we did not.

Alderman Shea asked is that good financial thinking on your part would you say. I don't mean you personally, I mean the School District in general.

Mr. Sanders answered we believe that there is a potential opportunity going forward. Making a decision on changing a carrier is a lot more complicated than just the lowest price. I think Anthem has come forward with a pretty solid offer for next year. Again keep in mind that we are self-insured so whatever the sicknesses are and whatever the medical costs are we are going to pay them.

Alderman Shea stated you are negotiating administrative costs as we both know.

Mr. Sanders answered right.

Alderman Shea stated they can be very costly if you don't get a good price.

Mr. Sanders replied that is correct. Anthem reduced their administrative costs for next year substantially for us. I don't have that off the top of my head but I would be glad to get it for you. It is substantial.

Alderman Shea responded I am not interesting in you getting it for me. What I am interested in is the amount of strategy that goes in to negotiating through an RFP or some other way in order to reduce the costs. That is what I am hitting at. In other words, in my own opinion and judgement 11% is not a very good negotiating knowing what I know in a different area. It is not a good type of bid in terms of that.

Alderman Roy stated I will start off with the easy questions and work my way up. First under the FY05 tuition capital costs and tuition operating, could you explain what the different votes in the Town of Bedford could do to impact those numbers and what their impact would be to your budget.

Mr. Sanders responded as far as the operating tuition, it would have no impact on next year's budget. The operating tuition number is based solely on the number of students attending the school and our estimate of what our tuition rate is going to be, which for next year is \$6,700 per student. As I said, the \$3.169 figure assumes that Bedford would opt in and about approximately \$2 million of that \$3.2 million is for Bedford. If Bedford doesn't opt in then they would pay \$4.4 million next year. The payment schedule is just completely different. If they stay under the three-year agreement they are basically paying for the capital costs in three years where if they opt into the 20-year agreement they are paying it over 10 years. It wouldn't be as simple as saying take the \$4.4 million into revenues for next year. I think we have to be very careful and prudent about doing that because then Bedford would only have one more year and they would be gone and we would create a situation for ourselves going forward. If they don't opt in we will have to have some concessions internally about how to amortize that \$4.4 million in a prudent way to maximize the benefit to the taxpayers of Manchester.

Alderman Roy stated following along Alderman Shea's question regarding building maintenance right now we are paying \$.65 for 2 million square feet of...your original request was tapered down to \$1 and then the Mayor's budget tapered it down to \$.75.

Mr. Sanders replied the Mayor gave us a budget number and we have to make that work.

Alderman Roy stated going back to my school facility days, what is the percentage of the design-build project going on now, the school renovation part of it that has contributed just to preventive maintenance not done over the years.

Mr. Sanders responded 40% is what Tim Clougherty told us.

Alderman Roy stated so 40% of roughly \$100 million so \$40 million is simply because we have not put enough money in that line item.

Mr. Sanders responded right. Maintain equipment, maintain systems and replace items when they reach the end of their useful lives. That is correct.

Alderman Roy asked if the number was not \$.75 but higher would you be able to save the taxpayers dollars in the future.

Mr. Sanders answered I have no doubt that we would be able to save the taxpayers dollars in the future if we got onto a professional preventative maintenance program as you would with a new car or something like that and really took care of it and changed the tires and changed the oil.

Alderman Roy stated my next question, I guess, would be for Kevin. We have had conversations regarding the design-build debt and market fluctuations and what we are able to do there. Could you just elaborate a little bit on that and where some savings could be on that \$5.2 million?

Mr. Clougherty responded if the City is able to realize a refunding, we could structure it in a such a way as to hopefully minimize impacts this year. The problem is as I stated earlier that the market just isn't there. The market may dictate how the bonds would actually be structured and how much you might be able to get in one year as opposed to being spread over multiple years. Right now it is very difficult to speculate because there is not an opportunity to refund today.

Alderman Lopez stated in reference to the building maintenance again, the \$.65, does the School District have the authority to tell the Building Maintenance Department exactly how much money they want to spend on maintenance.

Mr. Sanders answered yes we do. Under the declaratory judgement it stipulated that we could make agreements with all of the departments.

Alderman Lopez asked so you could make it \$.50 if you wanted to.

Mr. Sanders answered yes Sir.

Alderman Garrity stated you said earlier that you brought that five-year history. Could I have that?

Mr. Sanders answered sure.

Alderman Porter stated I have a question on maintenance and I think that after spending \$105 million to get the car back on the road so to speak we have to keep it there. What was spent traditionally over the past few years on a square foot basis? I know that the \$1.57 is probably the optimum designed by some national survey but how did you get down to \$.75 and how did you base that?

Mr. Sanders responded the City Highway Department – Tim Clougherty and Kevin Sheppard requested analysis from a couple of third party providers on benchmarking data that they had on other school districts of comparable sides, urban and city school districts both here in New England and nationally. The national average and obviously some people include X and some include Y so making perfect comparisons is always a little more difficult but the national average a year ago was about \$1.43. That was the 50% percentile. That was right in the middle. That wasn't...you could pick school districts and we could probably all name them that would be up in the \$3, \$4 or \$5 range but \$1.43 was the national average that we were working with and Tim and Kevin came out of that with a recommendation to us that because design-build is not addressing all of the problems in our buildings and we still do have some deferred maintenance in areas like in the elementary schools for example and I think that is common knowledge and even some in the high schools that we did need to get up quicker to obviously where the national average is moving by CPI or some measure of inflation as well so their recommendation was \$1.57. We had gone back and said we could do \$1 this year and we were hoping that we could then get up to \$1.40 the next year and maybe over a three or four year period of time get up to what the national average was. That is what our original budget said. Also we were trying to be prudent with the dollars. Just throwing a bunch of money at some services contract would have turned out to have been a waste of money if we didn't really understand what we were trying to maintain so to speak. The \$.75 candidly is...design-build is adding 10% square footage to our schools so we are going from 2 million square feet to 2.2 million square feet. If we don't add to the maintenance of the buildings we are going to fall further away from the national average if you see what I am saying. If we continue to pay \$.65 and fix in on that number, let's just say that is \$4 million as we move up in additional square footage we have to increase the spending so that is why we were going to \$.75 and trying to also increase that by something in excess of 10%.

Alderman Porter asked is that enough to really keep the schools in the kind of condition you would like.

Mr. Sanders answered no.

Alderman O'Neil stated some of that money already includes the Service Master contract correct.

Mr. Sanders asked the \$.65.

Alderman O'Neil answered no the total.

Mr. Sanders replied yes it does.

Alderman O'Neil stated I am sitting here trying to do the math and it isn't working out. That is my good Central education by the way. Any idea what...so the \$4,952,000 that is in this year's budget is any of that for maintenance or is that all Service Master?

Mr. Sanders responded we have maintenance in there to the tune of about \$700,000 or \$750,000.

Alderman O'Neil asked any idea in your request for FY05 how much basic cleaning for what you currently have is going to cost.

Mr. Sanders answered I think next year we will be paying Service Master about \$3.7 million for custodial services.

Alderman Gatsas asked Mr. Sanders can you explain to me because I like checking to make sure that every place I am looking the numbers are the same and when I look at three new positions on one page and I guess they are not numbered so you will have to bear with me as I show it to you.

Mayor Baines asked how many from the back.

Alderman Gatsas answered well there are a couple of different spots where the number changes a little bit. What do you have for those 29 positions? What do you have for a salary?

Mr. Sanders responded we start out with an annual salary of approximately \$35,000 per teacher and that is on a 12-month basis. Obviously the teachers don't come on board at the beginning of the fiscal year so they would only be paid for 10 months of the next fiscal year but basically there is about \$35,000 of salary plus benefits at about another \$12,000 on top of that. Some of the positions were...maybe the Facilities Manager was slightly higher than that.

Mayor Baines stated before you continue I just want to clarify that. They used that as an average number because some teachers they are able to hire at Step 1 if it is not a critical shortage area but you may have math or science or other critical shortage areas where they actually have to bring somebody in at maximum. So they use that as an average and the history is that that is sort of where it averages out. Am I correct?

Mr. Sanders responded that is correct.

Alderman Gatsas stated I agree with that number because you are showing me on that page that it is roughly \$1 million and it is \$1.15 million. When I go to the third page from the end you show me nine positions, salary only at \$270,000, which is \$30,000.

Mr. Sanders replied right.

Alderman Gatsas stated so I guess the reduction is only \$30,000 instead of \$35,000 when we computed it on the front end. I will just say that is a mistake in math.

Mr. Sanders responded yes and I also knew that I was taking out some of the higher priced positions that I needed like the Facilities Manager.

Mayor Baines stated and also some of the high school teachers. At the present time we have how many classes over 30 students at the high school level?

Mr. Sanders responded 106.

Alderman Gatsas stated then when you go to the page just before that it says Adjustments-New Positions reduced from 29 to 9. I assume that is a reduction of 20 positions at \$8.50. Is that correct?

Mr. Sanders responded that is correct and that has more than salary.

Alderman Gatsas stated that is \$42,500 for that salaried position.

Mr. Sanders responded that includes more than salaries. That has the basic salary in it plus the benefits calculation.

Alderman Gatsas asked so there is really no tie here. When I start looking at salary positions it is not going to tie in anywhere because the number is very...depending on how you want to show them and what page you want to show them on?

Mr. Sanders answered I would be glad to break out for you the salary and benefits.

Alderman Gatsas stated let's go to the Expenditure Overview page. It says proposed 2005 budget with \$140 million at the top. If I just start with a simple math equation and start with \$127,075,275, which was the budget that this Board or the previous Board allocated to you for funding, if I take the difference between your FY04 salaries and your FY05 expended salaries I come up with a number of \$5,047,276 as an increase in salaries. In the line just below it I show an increase of \$2,377,263 for an increase in employee benefits. If I add those two numbers to your \$127 million, I come up to \$134,499,814. If I then go and add your debt service increase into it, which is \$4,604,674 it brings me to a total of \$139,104,488 and if I add in \$1.3 million for steps I come out to \$140,404,488, which is \$400,000 short. How do we get to the rest of the money in your budget?

Mr. Sanders responded I think we laid out the expense categories. I would be glad to take your analysis and...

Alderman Gatsas interjected let's do the simple math again and see if you can answer my question. If we take your \$127 million that you spent last year and if this Board is willing to give you the difference that I am seeing in the FY04 projection...your FY04 projection for salary was \$69,500,933. The difference between that number and \$74,548,209 is as I said \$5,047,276. The difference between and I am giving you these numbers as saying that they are etched in stone and I am giving you the difference between your FY04 projections for medical, which is \$21,611,487, the \$23,792,990, that difference is \$2,377,263. I add those components together and I come up with \$134,499,814. If I add in your difference of debt service and you are showing a debt service increase on this page of \$5.2 million, I am only going as an accurate number that you are going from \$14,142,075 on the next page to \$9.538 million. That difference is \$4,604,674 million. I add that in and I add in your step increases and that brings me to \$140,404,488. How do you get the rest of your budget in that \$400,000?

Mayor Baines asked have you included the City services in that calculation.

Alderman Gatsas answered I haven't even done that. That is the question I am asking. How do you get the rest of it in that number? Well here maybe I can help you.

Mayor Baines stated you know what I think would be best to do at this point is...you know you are throwing numbers at them and they need to respond but I think they need a few minutes to do the calculations. I think they can come up with the answer so if we can move off of that and then come back.

Alderman Gatsas responded even with the best math you can't get there. I have done it eight times here and I can't get to it either.

Mayor Baines replied well again they have to defend their numbers.

Alderman Gatsas stated well let's see if we can help them. Last year we allocated \$69.5 million for the salary account. Since September what have you moved out of that salary account to other line items?

Mr. Sanders replied about \$300,000 or \$270,000 actually.

Alderman Gatsas asked that is all you have moved.

Mr. Sanders responded yes.

Alderman Gatsas stated so if I asked you for not W-2's but the next for that has to be filed...what is that called the W-4 maybe. What is the employer's portion? Is it a W-4? The tax form that shows you a total gross wage number that you have to report to the IRS. That should equal somewhere around \$69 million.

Mr. Sanders responded yes projected.

Alderman Gatsas asked will you provide me with that copy.

Mr. Sanders answered I guess I would provide that in July after we have paid it.

Alderman Gatsas stated I believe you have to submit that by the end of January along with your W-2's.

Mr. Sanders responded this is a fiscal year here. This is between July 1 and June 30.

Alderman Gatsas stated I can appreciate that but at some point that number is going to overlap. I guess my question is because MCTV has been very gracious in allowing School Board meetings to be overlooked when you are just surfing channels and I believe that just from my recollection a new program that you started some three months ago there was an allocation from the salary line of somewhere around \$175,000 for that new program. It was a drop out program I believe at \$4,400 a child. Maybe that will...

Mr. Sanders interjected you are talking about the ombudsman program. That was in our original budget for \$200,000 to pay for the students at \$4,400 a piece. We

expanded the program this year I think by an additional 15 students about a month ago at a cost of about an additional \$30,000 for 15 students.

Alderman Gatsas asked can you tell me what line item that ombudsman program was in on the sheet you just gave us.

Mr. Sanders responded I presume that it is in professional services. Yes, it is in professional services.

Alderman Gatsas stated well if I merely go back to your budget from FY03 to FY04 and the one that was actual, if I increase your actual FY03 professional services by \$200,000 it doesn't work because you don't have enough money to pull out of there for FY04.

Mr. Sanders responded we have in professional services...in the course of the year until our IDEA grant is finalized a lot of the special education professional services that we are paying for get paid out of that account and we are still...we have our final IDEA grant for FY04. We just received our notice on that within the last six weeks and we need to get reimbursed some of that money from IDEA money.

Alderman Gatsas asked your professional service line, isn't that when you have challenges on IEP's. Isn't that what that part is?

Mr. Sanders answered well that would be in there but that is also where we contract out services for providing education to special education students, the ombudsman program, which isn't special ed related. That would be under professional services. Legal fees, auditor fees and the whole array of professional services are in there. More than just special education.

Alderman Gatsas stated I guess I go back to my original question when I add those things in and I come up with \$140 million. I don't know how there is anything left for building maintenance. I don't know how there is anything left for other City services. I don't know how there is anything left in there for new positions.

Mr. Sanders responded the answer will be involved. It might take me more than five minutes to do the analysis but the general point that I would make for you is that you started with \$127,075,000 from last year and kind of built off of that budget number. That \$127,075,000 includes a whole array of building maintenance projects, repair and maintenance; it is our whole budget. So if you look at it just incrementally, we are finding savings in other areas to pay for that incremental building maintenance.

Alderman Gatsas stated I guess I am back to the same question. If I am giving you \$127 million and you told me already that you are going to return at least \$500,000 to the City, which I haven't even figured into that because that would take me from \$127 million to less, along with the \$175,000 that you are going to put into special accounts, if I leave that all on the table and say I am going to give it all back to you because that means you would have to turn over another \$500,000 to the City...if I increase wages by the \$5 million, if I increase benefits by the \$2.3 million and if I increase your step increases I come out to \$140,400,000. I can't get there. With the rest of the things that you have on this page it doesn't work.

Mr. Sanders responded the one point that I can mention and I am getting a little bit of help here now is you double counted the step increases because they are in the first salary increase number that you are looking at and then you are adding them in a second time so that would be \$1.3 million of the difference.

Alderman Shea stated I have a couple of other questions. One has to do with the pink slips. If, in fact, you listed 45 teachers that had to be pink slipped if your contract wasn't renewed before the 12th of April where would this pink slipping come in. Would it be at all levels? First year teachers? Second year teachers? How would you go about doing that?

Dr. Ludwell responded first of all the 45 positions quoted is a minimum. It could be significantly higher than that. It would be across the board. The union has a rather complicated and detailed seniority list. It is not purely last hired, first fired. There are various categories that go into that and various categories or various ways of earning, if you will, seniority within those different categories but it would be across the board with the exception of those areas that Mr. Sanders mentioned earlier – positions that we would have to retain because of compliance issues with OCR and/or IDEA. So it would impact most heavily the general education teacher.

Alderman Shea asked would it include administrators as well.

Dr. Ludwell answered right now I would say no. Right now we are below the state standards in some of our schools relative to administration. I think also if you are increasing the student-teacher population you have to look at the safe operation of the schools and I think that is an important role that the school administrator serves. Currently I would say that it would not include administrators.

Alderman Shea asked now do you have full-time Assistant Principals at the elementary level now.

Dr. Ludwell answered at some of them we do.

Alderman Shea asked what criteria is used for that if I might ask.

Dr. Ludwell answered I believe it is the size of the school.

Alderman Shea asked that is the only criteria.

Mayor Baines answered it is required by the state under the state standards in order for us to be in compliance with the State Board of Education regulations. It is based upon enrollment.

Alderman Shea stated the state recommends but they don't mandate. In other words, according to my understanding the state can say well we would like to have an assistant principal say at Green Acres School and I am not sure how many students might be there but let's assume there are 300 or 400 or maybe 500. That doesn't necessarily mean that the City has to have a full-time assistant principal there. That simply means that they are recommending it. Is that correct?

Dr. Ludwell responded if we chose not to meet state standards I assume we could remove that and again I will go back to...I think it is a real responsibility for us to look at the safe operation of the school and does that person serve a purpose regarding making sure that school is safe for the children.

Alderman Shea stated my question though is that in certain instances the state may recommend but you do have, for instance, schools that are out of compliance in terms of certain standards yet the state does not in any way punish the school system does it.

Dr. Ludwell responded currently other than saying that we don't meet state standards, we don't meet the minimum standards.

Alderman Shea replied right but other than saying that it doesn't really have any teeth in terms of say closing down a school that might not follow certain standards.

Dr. Ludwell responded that is true with some standards and not true with others. The state has set standards for graduation for example. We could not graduate a student if they did not fulfill the standards.

Alderman Shea replied that is kind of a different criteria thought that there has to be so much of a fulfillment regarding courses.

Dr. Ludwell responded that is correct.

Alderman Shea stated another thing that I would like to bring up and I guess this is probably the wrong time but in the design-build is there any provision and I go back a long, long way, prior to all of you being here except for Chris. My point is that I couldn't help but...I don't know how I felt. Years and years ago they built schools and they didn't put walls in these schools and I had children when I was a principal and I don't want to start a new stampede but I had children coming from schools which were designed as open concept. Now I realize that open concept is simply not just not having any walls or doors but is there something in the design-build which would satisfy the needs of schools whereby the teachers are begging to put walls up so that there isn't some sort of confusion on the part of the students and so forth? I don't know if there is a contingency fund but wouldn't we all think about how essential it is for children to learn in a very sound environment where they are not distracted? It goes back to the point of if there are four people in the room and they are all teaching a certain type of subject let's face it the one that speaks the loudest and has the most authoritarian type of situation will control how that entire environment functions. So my point is that I really think that it is essential that those schools that do not have walls and doors I believe they should have them up and that goes back to when they were first built and children were coming into Hallsville School because the parents did not want these children to be in that environment and they would bus them up. I had about 99 kids out of district at the time. So that gives you some idea of how long ago that particular problem existed and I guess it is coming more and more to fruition when you had that recent conference.

Dr. Ludwell stated certainly I am not here to advocate the open classroom concept. Those are the facilities that we do have. I believe we have three or four. I can't speak to why it was not included in the design-build. I don't know whether there was a cost issue or a design issue and I kind of inherited the design-build so I can't speak to that.

Alderman Shea responded when I kept harping on the lack of attention being made to the elementary school with design-build I was focusing on what attention was being paid and of course I can say that the vote went the other way but I am still maintaining that this is very essential that we put our emphasis on where it should be. When kids start school that is where the emphasis should be because it is too late when we start at a higher level although you are doing a good job in that regard and I am not being critical but I am just saying that is where it should begin.

Dr. Ludwell stated let me say that for whatever reason it was not included in the design-build and none of us were here at the time so we can't really address it. I will say that the Building and Sites Committee engaged NESDEC to do a study of all of the elementary facilities to look at what are the shortcomings there and what kinds of plans do we need as we look into the future so I do believe that it is currently being addressed.

Alderman Lopez responded first of all Dr. Ludwell I want to compliment you on your accomplishments. This is my fifth year as an Alderman and the relationship in working with the School Board and School Board members has been outstanding. Since I have been an Alderman we went from \$101 million now up to \$138 million and we have allocated \$105 million for the schools. I wonder since this is on TV can you enlighten us as to what you came into and what you have seen and where we are going? If we look at the \$101 million four years ago and now the \$138 million. Next year it is going to be \$148 million. What is wrong? What did the City do wrong? I am just trying to get some information to the public here because I have had 11 calls now on the budget. Maybe we can answer some concerns.

Dr. Ludwell replied let me first of all speak solely to the school side. Education is very expensive and it is expensive because it is labor intensive. It takes a lot of professionals to educate our children and over the years we have had a growing student population, we have had a growing population of our ELL students and they require additional professionals so I think that is one issue. I think Mr. Sanders addressed another issue that as a community and hindsight being what it is, I think none of us are comfortable with having to spend 40% of design-build on things that could have been done with routine maintenance and I would hope that as a community that is something that we would not fall back into after we are done with the current design-build but I believe you are going to see these trends in the future. I think as the teaching population dwindles supply and demand is going to come into effect. I think that as paraprofessionals have to be highly trained now and we have over 300 paraprofessionals as they have to receive more training or have a higher degree of training to get employment I think they are going to expect additional compensation and I think as I alluded to a couple of minutes ago as the pool of teachers dwindles they are going to demand greater compensation also. I think over the course of the budget we tried to point out that we need to remain competitive relative to the teaching. I think there perhaps was a point also as we get into curriculum development and initially as we get all of our curriculums current and then textbooks to match them and we are going to have to do that just for good education but we are also going to be driven by No Child Left Behind, that is going to cost money. I think, though, that I can anticipate seeing, unfortunately, the budget continuing to go in an up direction for the next few years.

Mayor Baines stated can I just add to that that the biggest change I have seen is in textbooks. We spent up to \$1 million in textbooks. We had schools without adequate textbooks. We had schools with English textbooks falling apart. We had out-of-date US History textbooks that still...I know when I was at West High School I think either Richard Nixon or Ronald Reagan were still President depending on which class you were in. We had outdated technology throughout the school district. We didn't have students with adequate tools. We had schools at times that did not have adequate paper supplies. I had a year at West High School where I actually had to depend up on the generosity of a parent to bring a truckload of paper to the school because there was no budget for paper or supplies for the schools. We have had rising costs of special education students as more and more parents demand services for their kids. We have multiply handicapped and multiply challenged students with all kinds of disabilities in our schools. We have had a rapid rise in English as a Second Language students that have come into our school district with immigrants and refugees. We have had staggering increases in insurance costs and staggering increases in pension obligations over the past several years as well. There has also been an outstanding effort fueled by the federal government to reduce class sizes in grades 1, 2 and 3. We had a time when we had students in grades 1, 2 and 3 where you would have 30 to 35 students in a class. The biggest change you can make in education...first of all it takes about 12 or 13 years from kindergarten through high school is to reduce the class sizes at the elementary school level so that the students get the individualized attention that they deserve. One of the things that has happened over the past four to five or maybe six years is there has been a very ongoing and concerted effort to reduce class sizes at the lower elementary schools, not only just here in Manchester but across the nation fueled originally by I believe Title XI funding from the federal government. We have had a responsibility to pick up that and make sure that these classes remain manageable for the student. You can have a given classroom at the elementary school level. You could have up to 1/3 of the students in some of your classes on IEP's (individualized educational plans) with multiple services, deserved services being provided to students throughout the district. You have also had an expansion of kindergarten in some of your inner city schools from half day to full day. We are making an investment in education. Now we are fixing the facilities in the schools and there is a cost associated with that and a lot of that as you know, \$30 or \$40 million is deferred maintenance – things that should have been fixed at the time we are now paying for. So people are asking the question why has there been a rising cost for education. We can put off a litany of things and find that this present administration as well as the previous one was putting an emphasis on curriculum revision, improving instruction in the individual classrooms and it is being shown in test scores that are occurring. We have also had questions about the increase in the drop out prevention program. They are already seeing a difference in the number of

students dropping out of school. How do you put a price tag on that? We are keeping more and more kids in school so there is a whole litany of proud accomplishments of this school district. Education has been demonstrated to be the number one issue on the minds of the people in the City of Manchester by independent surveys and I think we should be very proud of the investments that we have made in our public educational system and we are on the road to making this one of the finest public educational systems in the State of New Hampshire. This Board of Mayor and Aldermen deserves credit for that. This Superintendent and his predecessor worked very hard on those efforts and that is how you answer that question. We are committed to providing a quality education for every student regardless of their ability coupled with No Child Left Behind. Ladies and gentlemen, if you don't make an effort to make sure that all of those standards are met in every grade level you have severe penalties that will be placed on the School District. We had to set aside because of that terrible thing that happened to Beech Street and the Henry Wilson School...I can't remember the exact figures that had to be taken out of Title I funding that was pulled out of some of your most needy schools. What was the actual dollar amount Karen? \$850,000 because those schools got on a list they never should have been on by the way and the federal government has finally corrected some of the ways they calculate that. They had to withdraw services of the most needy schools in our district because of what happened with that federal legislation. So that is the answer you can give when people call you. You can say we have invested in public education and we should be very proud of that.

Alderman Lopez stated that was a longer statement than the Superintendents but both of you are absolutely correct. I think one of the people said we are all inclusive whether it be schools, the City, veterans, elderly...I guess the \$64,000 question is where do the taxpayers get the money. We get 16% or 18% from the State for special education when we are supposed to get 40%. Having people do something in that particular area could take the burden away from us too. We will have to see what happens in the Presidential election. Maybe No Child Left Behind won't be there anymore. The bottom line of what I am saying is yes we have been very generous as policy makers and good to the City of Manchester in having great education and great people running it but the bottom line still comes down to what it is going to cost the taxpayers in the end. Thank you.

Mayor Baines responded absolutely and we should also note that our per pupil cost for education in Manchester is well below the state average. We are not paying what is being paid across the state. We have done a lot and we have a long way to go.

Alderman Roy stated I have a question for either the Superintendent or Mr. Sanders. Your line item of 561 Tuition for \$6,343,338 as an expense could you

expand on that and in expanding on it also give us some ways that we may be able to keep some of those dollars in-house and not on the expense side but possibly convert it to the revenue side?

Mr. Sanders responded I can take a crack at it and maybe turn it over to Karen Burkush here in a second because that is all entirely related to special education. Maybe I will just turn it over to Karen Burkush.

Ms. Karen Burkush stated what we have tried to do over the last five years is to improve our autism program. We saw that as a population that was growing so we now have programs for students with autism all the way up to high school. This year we started an autism program over at West High and it has been going tremendously well. We also opened up another program at West High School, the Emotional Behavioral Disorders Program and through both of those programs we have been able to maintain students within the school district and actually save money versus sending them out of district. The other things that we have tried to do...the transportation is not working as well but we try to include students with disabilities on our regular MTA buses and have MTA provide the transportation. The Ombudsman Program, getting back to tuition, but that program has also been a great option for students with disabilities, as well as the PASS Program. Now students with disabilities are able to attend those programs and not go out into costly programs. There are several agencies within the City, the Office of Youth Services, DCYF, and the juvenile probation officers are all looking at these programs and saying you know if we can support the kids to go to those programs they will be less likely to be going out of district in a court placement. I think that sort of summarizes what we have tried to do in terms of reducing tuition. Any other questions?

Alderman Roy asked when you look at the autism program specifically, how many children can that support.

Ms. Burkush answered we can support 12 children. Currently we have one tuition student and 10 Manchester students. Four of the ten Manchester students were going to be going out of district for this school year had we not opened that program.

Alderman Roy asked do you feel that if that program in particular was expanded that it would support more children and would we be able to save more revenue.

Ms. Burkush answered absolutely and we are in conversations with Ms. Hobson over at West High asking if she has another room or even a half room where we can add on some students because from our middle school program we probably

have six kids that are coming up and we are not really sure what we are going to do with them next year if we don't have the space for them.

Alderman Roy asked so in other words keeping them in-house is far better for the child as well as better for the taxpayer.

Ms. Burkush answered absolutely.

Alderman Gatsas asked can we go back to this page that says Expenditures Overview on the top. If I take the two numbers that I gave you before on the difference between FY04 projections for wages and FY04 projections for benefits and your total FY05 projections for salaries and benefits, those two numbers total up to \$7,424,539. Just those two increased numbers. \$5,047,276 plus \$2,377,263. Those two numbers total \$7,424,539. If I go down to the numbers that you have in your column and if I was willing to give you a number today and if I said I agree with your \$1.3 million and I agree with your \$2.150 million and I agree with your \$2.050 million because those are numbers that you showed me are going to get me to my \$140 million and then you told me that because of the Mayor's budget we are only using \$270,000 in that salary number, if I add those four components up, not the \$1 million but the \$270,000 I come up with a total of \$5,770,000, which is \$1.6 million different than the top number. If I deduct another \$500,000 because of the turned back tuition, that means somewhere around \$2.150 million is a number that you have already agreed to off the Mayor's number.

Mr. Sanders asked do you mean in terms of reduction.

Alderman Gatsas answered just from the numbers you have given me.

Mr. Sanders replied we showed how we were going to achieve the \$2.3 million.

Alderman Gatsas stated just the numbers that you showed me on this Expenditure Overview page. If I take those numbers and I put them into your number it is \$1.6 million difference just on the benefit and wage side.

Mr. Sanders responded I am not following what you want me to compare exactly.

Mayor Baines called for a five-minute recess.

Mayor Baines called the meeting back to order.

Mr. Sanders stated I apologize for taking the time there but if you could turn to that Expenditure Overview page that Alderman Gatsas was referring to earlier

where I have caused some confusion completely inadvertently but I will adjust it, if you look at the Detailed Expenditure page behind it and if you added and subtracted the numbers from FY05 and FY04 on the salary and benefit line you would come to a number of approximately \$7.2 million. If you then turn back to this Expenditure Overview page and look at what I have described as changes for step increases, new positions, salary increases and other I have only accounted for approximately \$6.5 million of the change in those two accounts. I have not accounted for \$700,000 explicitly in a line item on this page. That \$700,000 is netted on the very last line called all other net where I put...there is \$700,000 of compensation and benefit related costs down there. The reason that I did that was to highlight specific reasons for the salary increase going up or the salary line going up and the benefit and I would be more than happy to fully account for that \$700,000 in a line item here. It has to do with retirement payments and other stipend payments that we make to teachers that retired last year versus teachers retiring next year. We pay them their 80 day sick day payments and that sort of thing and because we are in a collective bargaining situation I wanted to provide information on the salary increase number but not...I netted it together a little bit too. That is the explanation for the \$700,000 that we were talking about. Then I would also note that going back to the preceding question if I might there are a number of line items where we have reductions in costs for 2005 compared to 2004. The maintenance projects are going down about \$375,000. Textbooks are about \$300,000 lower next year than this year. The debt service number of \$600,000, I have that netted down in the all other as well because I just wanted to highlight the design-build debt service but other debt we were paying off so we have a lower \$600,000 debt service number next year. I was trying to keep it concise to one page. I apologize for the confusion it caused. I would be glad to expand the schedule to incorporate those additional line items.

Mayor Baines asked is there any other information that this Board would like to request from the School District to help them reconcile the request and where we are going to go ultimately with an allocation for the School District. Any information that is outstanding that you haven't received that you would like to receive that they could provide us as a follow-up?

Alderman Gatsas asked can I ask some more questions.

Mayor Baines answered we can deal with additional questions. Let me just rephrase what I was saying and then we can go back to additional questions. I do not believe it is prudent to put the School District in a situation where they would have to hand out what is called in the business "pink slips" to teachers. We are in a very critical situation in our School District now in a very competitive environment for hiring good qualified teachers. Somehow I want to get reconciled before April 12 some general guidelines that we are going to offer the School

District. I can't see us in a situation potentially laying off 45 to 60 teachers or support personnel given the situation that we have going forward, especially the very ominous situation that we have that is spelled out with the baby boomers heading to retirement and also the disruption that is going to cause in the individual schools as we are embarking on the largest school renovation/construction project in the history of the City. So, I want to somehow get to the point where we are not asking principals before April 15 to hand out pink slips to teachers and delivering that devastation to those individuals plus wreaking havoc within the individual classrooms and school houses in our City. So, I don't know how we get there but I am prepared...obviously if you need additional information or additional follow-up I am prepared to call a special meeting to try to deal with this issue before the 15th to preclude that from happening.

Alderman Shea asked is laying off teachers the only alternative you have. Is that the only alternative you have in terms of reducing the amount of money that the Aldermanic Board may give to you? Is that the only option? I know that you reasoned right here that it might be the only option but I am asking. Is it the only option you have? Can you reduce other expenditures? Like I mentioned at the other meeting one option. We can't line item your budget but I am just saying is that the only option you have?

Dr. Ludwell replied it is the only option...keeping in mind that Mr. Sanders just outlined areas that we were looking at to reduce the budget down to the Mayor's proposal there is little else in the budget. I would be happy to have any Alderman come into the office and take a look. There is not padding in this budget. You have to keep in mind that 84% to 85% of our budget is labor intensive with salary and benefits. Could you cut a little here? Could you do away with textbooks and say no textbooks? Yes. Could you say we won't have any supplies next year? I guess you could do that also. When you are all said and done you come back to teachers. They are the basis of our system so it is going to impact teachers.

Alderman Shea asked in other words...I said before if you have a person that is serving as an administrator and you have the necessity of laying off a teacher how important is an administrator who is working within a context of a building vis a vie a teacher who is working in a classroom, which is the heart of education. The administrator as we all know is the head but the teacher is the heart. That is what I can't understand. That the zeroing in on the teacher is the focus rather than kind of looking and saying over here we have this person and over here we have that person but we are going to take the real essential person out of the classroom because basically we don't have enough money. I am just trying to be a devil's advocate here. You have to understand where I am coming from because I come from a different generation where it was kind of a different way of education. We

used the two ends of a pencil so to speak with Mr. McLaughlin and now I am seeing other things coming forth and it is kind of mind boggling at times for me but that is the way I am looking at things.

Dr. Ludwell stated we have 1,317 teachers. We have 50 principals. We have 31 administrators, which would be building and district in addition to the principals. So we have 81 administrators and 1,317 teachers. Clearly if you are going to reduce the budget it is going to come from the teaching staff. Could we reduce administrators? Yes. Are the teachers absolutely the most important people in our system? Yes they are. If the student were to come to school with a weapon or if there is a fight in the school or if there is an emergency in the school that administrator is also very important. I have to balance how valuable and I am the first to admit how valuable our teachers are against the safe operations of our schools also.

Alderman Smith stated I would just like to go over a couple of...this is my third budget and I noticed there was \$111 million three years ago and it is \$140 million right now. That is almost \$10 million a year. My concern and it is certainly a worthwhile program but I would like to go back to special education. I know the projection is about 3,000 students with educational disabilities. I would like to know what we get or where do you put the money that you receive from the federal government for educating these students and what is the cost per pupil for educating these students if it is one on one? I know that at our previous meeting you said it costs more for transporting special education kids than the regular kids. I believe that is true. I am just trying to get a cost handle on that because it is very important to your expenditures that you are asking for and I have no idea what the cost is per pupil. You gave me the figure of \$2,611 this year and it is going to be \$3,000 next year and do we take any special needs people from Hooksett and Bedford or is it just in town people?

Ms. Burkush responded just looking at what our total budget figure is and if you calculate out the number of students that we have with disabilities, we gave the figure of about 3,000 just from a historical perspective that is what it has been that over a years time we serviced that many students. That is not what we are projecting for next year. That is what we are projecting to service throughout the year. Nationally, the cost to educate on an average for a student with a disability is two and a half times what it costs to educate a student without a disability. If you look at our costs to date, we are spending about \$11,000 per student, which is much less than two and a half times what it costs to educate a student without a disability.

Alderman Smith asked do we take any students in now from Bedford or Hooksett that are in the tuition agreement. Do we take their special education students or do the towns provide for that or do they just provide transportation?

Ms. Burkush answered what Hooksett does is we do service those students at Central and West and there might be some students that go to our young adult program and that is part of the tuition agreement. In a majority of cases, our staff services those students. Bedford, however, has their own teachers who are in Bedford and they provide the education to the students with disabilities at that site. Central High School, I know that Hooksett has a tutor at West and Central but for the most part the students from Hooksett, Auburn, and Candia all participate in our resource rooms and our special education classrooms. We do, in our autism program and in our EBD program for this year at the high school level are accepting tuition students. So actually in our EBD program, Emotional Behavioral Disorders Program we have a student from Hopkinton and in our autism program we have a student from Bedford who is tuitioned in.

Alderman Smith asked in regards to this and certainly anybody who works with these students I give them all the credit in the world but I am looking at the budget and roughly \$30 million is provided for those students for this upcoming year. Is that \$30 million?

Ms. Burkush answered that is correct. That is what is projected.

Alderman DeVries stated I would like to take a look at your object code, 850, which is city services and in tracking the five year expenditure trends we see that from FY01 to proposed FY05 it is about a \$3.5 million increase. It looks like \$1.7 million give or take from last year. I think I heard you say that with the reductions from the Mayor's budget you were dropping from your wish list the Facility Engineer or Manager that had been part of your initial proposal to the School Board.

Mr. Sanders responded that is correct.

Alderman DeVries stated take me through this. This is what we typically call our chargeback to the School District. Is this more than maintenance issues included with the chargebacks and how much of the increase from last year is due to the design-build?

Mr. Sanders responded I don't have the pages numbered in the packet but if you...

Alderman DeVries interjected it was part of a handout actually.

Mr. Sanders replied I was going to say that there is a City Services chart in the package that gives you the detail of the \$9.645 million figure compared to the \$7.916 million. It is entitled City Services and is just about in the middle of the package so it does comprehend more than just the maintenance although maintenance is a big piece of it. You can see in the Board of School Committee budget of the \$9.6 million, \$6.1 million was related to building maintenance.

Alderman DeVries asked do these figures surprise you or do they seem...I am not trying to put you on the spot here. Obviously there were some concerns in wanting to be able to interpret the charges from the City through the Facilities Manager so that it wasn't totally on the backs of yourselves being an accounting or business oriented individual. So eliminating that position are you not taking away a tool that you could potentially use to reduce that expenditure?

Mr. Sanders answered absolutely.

Alderman DeVries replied I just don't understand it. Why? Why not leave that position in somehow and reduce that expenditure in the budget?

Mr. Sanders responded the easiest person to eliminate is the person that you never hire and as we were making our determination...

Alderman DeVries interjected well that is one answer and I am sure as you get your final numbers you will continue to look at that to see if you have the ability to control any of the costs.

Mayor Baines stated we haven't covered it tonight but if I recollect one of the increases related to Police is the fact that the grant is no longer there and it goes to the heart of Alderman Shea's question. Where do you make your cuts? We now have police liaison officers to help with the safety in all of our middle schools and high schools and the grant to help with that program is gone now and the School District has a choice now. Do you eliminate the police liaison program in your high schools and middle schools to save some additional money? I think the School District has said no that is too important to the safety of the schools. It is a paramount issue that is on the minds of the school administration and Board of School Committee with all of the challenges we have around safety in our schools now to keep our schools safe and I think that was a responsibility of the administrators as well. The other thing to keep in mind...when you talk about numbers and their totality a good part of the big number that we are dealing with in the School District is increased debt service related to our project to expand and improve our schools in which there is a revenue factor coming in there too from the tuition agreement. So you have to keep in context what we are doing. We are fixing all of the schools and we have to pay the price for that.

Alderman Gatsas asked can you tell me what your full-time equivalents are this year.

Mr. Sanders answered we expect our full-time equivalents for FY04 to be about 1,665.

Alderman Gatsas asked so your full-time equivalents...in FY02 your full-time equivalents were 1,634 and your full-time equivalents now is 1,665 and you have added a total of 149 students because your student count in 2002 was 17,660. Your student count in 2004 is 17,809. So your full-time equivalents has gone up by 31 for 149 children.

Mr. Sanders answered I don't have the FY02 figures in front of me but I accept that. The teacher...I was quoting all full-time equivalents. I may have not answered your question correctly. The full-time equivalents for teachers...

Alderman Gatsas interjected I wanted the total full-time equivalents.

Mr. Sanders responded okay that is what I gave you.

Alderman Gatsas stated if I take a look and use the \$69 million that you are projecting for FY04 for wages, \$69.5 million, that is about a 7% increase in wages from FY04 to FY05. Your average for the three years preceding that was about 4.5%.

Mr. Sanders replied there are a couple of things. First off, there are new positions in our number – 29 new positions in the FY05 estimate. There is also this feature of accumulative...a full year effect of salary increases has always lagged at the School District. There was a large salary increase the year before last, which was fiscal year 2003.

Alderman Gatsas stated the big one was FY01 if you look at the sheet you just gave us.

Mr. Sanders responded okay. I was speaking of percentage salary increases under the teacher contracts.

Alderman Gatsas stated 2001 is the biggest one.

Mr. Sanders asked in terms of the increases in salaries.

Alderman Gatsas answered correct.

Mr. Sanders stated I am just saying the increase this year would be a combination of new positions, 29 new positions, our estimates for salary increases for next year, steps...

Alderman Gatsas interjected you had steps last year didn't you.

Mr. Sanders responded yes but there is obviously...as the teacher population grows the step effect becomes larger.

Mayor Baines asked just for the record wasn't FY03 4.5%.

Mr. Sanders answered yes that is my recollection.

Mayor Baines stated that was the large year from my recollection.

Mr. Sanders stated we also had new positions last year that we hired during the year.

Mayor Baines stated again that is just going from memory here. I was just trying to deal the memory game here.

Mr. Sanders stated I think the schedule that we looked at here in terms of the summary is how it was actually paid out. The raises aren't effective until September 1 or sometime later in the year. You don't have the full effect of a salary increase. You can give someone a 5% salary increase but if it is only effective in the middle of the year it only has the effect in that year of 2.5% and then in the next year the full effect of the increase.

Mayor Baines responded and they are paid off in 26 installments too.

Mr. Sanders replied right and it falls over fiscal years.

Alderman Gatsas stated we had that conversation when School Board Member Cook was here on \$440,000 that was moved from one year to the other on wages.

Mr. Sanders stated the other point I would make is that we hired new positions this year during the year but the full effect of their salary increases won't be effective until next year.

Alderman Gatsas asked how many new positions.

Mr. Sanders answered we hired approximately 16 additional teachers this year.

Alderman Gatsas asked so how many new positions did you hire this year other than teachers.

Mr. Sanders answered we increased...it is about flat. We hired a few educational assistants. We may have hired about 10 educational assistants for special education.

Mayor Baines asked can you explain how that happens. I don't think people quite understand how that happens. Could you explain what happens when a kid comes into your school that has special needs that has an IEP?

Ms. Burkush stated what ends up happening is the principals if they cannot, with their current staffing pattern, comply with all of the requirements of the IEP they will send a request down to my office or the Assistant Superintendent's Office and then we bring it to the Board of School Committee for approval with justification that we have had the principals look at their staffing patterns and make sure that they are not able to be in compliance with the student's IEP. We have had several requests this year for both special education and ELL.

Mayor Baines stated you can go to a place like the Manchester Developmental Pre-School, which I know some Aldermen here are familiar with and you actually have one-on-one instruction that is required for students with very significant educational issues and behavioral issues that you are required to provide and that is what the School District has to respond to whether they want to or not. You have a need that is developed. You have an IEP. A student comes in and you have to hire somebody because that young person has to be dealt with.

Dr. Ludwell stated I think also in looking at the positions the School District was obligated contractually to add positions to cover a benefit that was granted under the Master Contract with the MEA so both in 2002-2003 and this school year we had to add additional positions. Those were health teachers and librarians.

Alderman Garrity stated Superintendent you said if the Aldermen were to reduce the budget it would mean approximately 60 lay-offs. Is that right?

Dr. Ludwell responded it would depend on how much it was reduced. Right now, do I believe that \$138.5 million is as low as we can go and maintain our current level of service? Yes.

Alderman Garrity asked if that were to happen would there still be an increase...if 60 teachers were to get laid off would there still be an increase in your salary line item.

Mr. Sanders answered yes. We would still be negotiating with the MEA for salary increases. We would still need to maintain a competitive structure of our principal and teacher salaries. I think the answer is yes.

Alderman Garrity stated Mayor you said you would like us to have an answer by April 12, which I believe is next Monday. For this Alderman, I don't think that is possible because we haven't heard from Police, Fire, Highway or Health. We haven't seen the other major City departments. Public Safety is important just like the schools. I think this Board really needs to hear from the other City departments before making a decision on the School District.

Alderman Roy stated Mr. Sanders thank you for putting this together for me. It sheds light on a few facts that saves me from asking you questions but one question that I do have is on line item 731 equipment. Looking at FY01 and FY02, those items were pretty flat. Going to FY03 the adopted budget was for \$178,000 and the expense was \$1.1 million. Likewise in FY04 \$205,000 was adopted and the expenditure was \$424,000. Could you elaborate a little bit and give me some insight as to how we doubled our expense?

Mr. Sanders responded absolutely. In FY03 we did have a surplus as you are aware and we had the opportunity to make a bundled purchase of computers for the classrooms and of that \$1,158,000 about \$900,000 of that is for classroom computers. That was a purchase last year. This year, the \$424,000 of equipment includes some computers and so on but it has also been an upgrade of our voicemail system across the School District. We are taking the opportunity in the design-build stage here to update our telephone and intercom wiring at all of our high schools and middle schools. That is about \$175,000 of that number this year. The whole area of information technology and servers and computers is becoming increasingly important to the school district and a considerable portion of that money is in that investment and that would be true going into next year as well. We put money away or set aside money to purchase computers and software next year as well.

Alderman Roy asked so the \$757,000 priority wise related to teachers or lay-offs.

Mr. Sanders answered that would be something that we would have to talk to the Superintendent about and obviously for \$300,000 or \$400,000...45 teachers is about \$1.8 million so the real savings as the Superintendent said and I don't mean to belittle it by any stretch but that is where you are able to achieve large budget reductions – through that cut down. The equipment purchases, there might be some opportunities there but that would be taking from one classroom or from other things that we do at the school district.

Alderman Roy asked so line item 441 rental of land and buildings reads kind of like my business card but \$519,000 can you tell us what goes into that line item.

Mr. Sanders replied yes. The biggest portion of that is almost \$260,000, which is related to the leasing of our portable classrooms at our high schools, middle schools and elementary schools. Some of that will go away as the design-build gets closer to completion and we are able to move out of the portables and into classrooms but right now we are anticipating that we will have the same portable requirements for FY05 as we have for this year. We also have about \$220,000 for the rental of the Easter Seals facility that we use for our developmental pre-school and some of our kindergarten activity. The remainder is athletics rentals and rental of a warehouse for about \$8,500.

Alderman Roy asked on the revenue side we haven't talked much about food and nutrition but I believe I heard a statement earlier that the costs were staying the same and I want to take advantage of having Mark Burkush in the room to answer a few questions. Is there anything we can do on the revenue side when it comes to the federal or state reimbursement where we could maximize our dollars?

Mr. Mark Burkush responded I think you will be looking at a 4% rise in those next year but that is pretty much it.

Alderman Roy asked and that will be achieved in FY06.

Mr. Burkush answered in 2004-2005.

Alderman Roy asked on the expenditure side.

Mr. Burkush answered revenue side.

Alderman Roy asked, Mr. Sanders, just getting back to...with the design-build your feeling is in FY06 we should achieve about \$260,000 worth of savings.

Mr. Sanders answered not entirely. I think we will achieve a substantial savings there but we actually have some of our elementary schools coming forward now and as these portables are being pulled out they are interested in seeing whether they can be moved to their sites. I think it will go down. I don't think it will be completely eliminated by next year.

Alderman Roy stated switching from the actual expenditure trending to a statement the Superintendent or you made that there were 16 new positions, where those 16 new positions or 16 replacements of teachers leaving the system.

Mr. Sanders responded they were new positions.

Alderman Roy asked how much turnover did we have last year for teachers being replaced.

Mr. Sanders replied last year we had about 33 retirements. We have received notice this year so far that we will have about 45 teachers retiring this June.

Alderman Roy asked could you elaborate on what the retirements estimated for next year and the year after would be.

Mr. Sanders answered as we mentioned earlier we are anticipating with this medical subsidy going away in FY08 that we would expect somewhere in the vicinity of 400 teachers to retire unless something is done with that subsidy. I don't know whether that will be 100 a year or whether it will be more towards the 2008 timeframe. It might begin to edge up to 50 or 60 a year for a couple of years and then 2007 and 2008 could be very interesting in New Hampshire.

Alderman Guinta asked what was your request last year.

Mr. Sanders asked for a total budget.

Alderman Guinta answered yes.

Mr. Sanders stated \$128,500,000.

Alderman Guinta asked with respect to rifting teacher, I guess the concern I have is even if this Board makes a decision this week relative to your budget number, Mayor, how do we determine what the state adequacy money is going to be by that time and if it is less how is that impacting the decision that we need to make.

Mayor Baines stated I hope the decision would be based upon what do you feel is an appropriate expenditure for the School District. I realize we are dealing with some unknown factors as we did last year and we would have to deal with the overall budget as time goes on. It is a dilemma. It is a dilemma for us. There is no question about it. Last year we did take a risk and we said to the School District we do not want you to riff any teachers and we gave them a tentative go ahead with their spending plan at the exact same time last year with some objections from some Aldermen. It is a risk but let's say there is a reduction. Do you really want to reduce teachers? That is what you need to determine. Do you want to increase class sizes and not deal with the fact that we still have well over 100 classes at the high school level with over 30 students and some middle school

classes over 30? What is the appropriate appropriation? I think that is what you need to determine.

Alderman Guinta stated my point is, your Honor, that even if we decide that your figure is the appropriate number to support I don't know that we can really make the decision without riffing because the state adequacy money can be a lot less than what we are projecting. If that is the case...that is really out of our hands is what I am saying. If we approve \$138.5 million and they don't riff and then the number comes in at \$42 or \$43 million...how would you, are you prepared for that? Do you have internal scenarios of what would happen in that situation?

Mr. Sanders replied yes and obviously it depends on what the amount is.

Alderman Guinta responded let's say it is \$2 million.

Mr. Sanders stated we would have to make some Draconian reductions in a couple of categories. One would be textbooks. I think we would probably completely zero out our textbook purchase for next year. I think we would do things in the supplies area to cut down the purchase of supplies and we would be looking at all of the discretionary expenditures that we have to try to achieve the lower level.

Alderman Guinta asked do you have a Plan B in a sense.

Mr. Sanders responded I wouldn't call it a plan exactly but it is...we are also hopeful that just like we got more money last year and it stayed on the City side that there would be some assistance from the City as well.

Mayor Baines stated I lived through a year when that scenario happened. The School District made the decision that they were not going to riff any teachers and in order to do that they had to zero out supplies and textbooks and that was the year that every school in the City ended up begging parents and support groups to have paper for kids. Literally I was lucky that I had one parent who had the financial wherewithal to have a truckload of paper delivered to West High School. Well not everybody had that luxury and in some situations kids went without paper and books and guess what? The next year we had to make up for that. It is sort of like if you don't purchase textbooks on an ongoing basis it becomes a staggering number. What is the cost, for example, of replacing an average series of textbooks just so people grasp what we are talking about?

Mr. Sanders responded for an average series and again you are buying textbooks for 17,000 or 18,000 students but it is about \$800,000 or \$900,000.

Mayor Baines stated so if you were to upgrade your US History textbooks across the district, you would be talking around \$800,000 to do that.

Alderman Lopez stated I just want to clarify a couple of things. Dr. Ludwell said that he sends out pink slips on April 12 and you said April 15.

Mayor Baines replied they need to know by April 12 because they have to prepare...this is what has to happen. It has to get in the hands of that teacher on that day. If the teacher does not physically receive it, that teacher does not get rified. It is quite a process. One year we had to do it for 300 in the district.

Alderman Lopez stated so understanding that if a meeting was on April 15 and we made a decision then those pink slips would go away.

Mayor Baines responded that is correct. They could be called back.

Dr. Ludwell stated if a decision was made on April 15 and the decision was for the \$138.5 million it would go away. If it was not for the \$138.5 but some lower amount we would no longer be able to reduce our force.

Alderman Lopez stated I just want to be assured...in reference to the health insurance I know that two years ago we had a consultant and we still use a consultant who has been very helpful on our side. Does the School District use a consultant?

Mr. Sanders responded we had a consultant through June of 2003. We did not renew that contract and at the present time...I am about seven or eight months in the position and we now have a Director of HR who has been in her position for five or six months and we decided that the first thing we wanted to do was make sure we internally understood our processes and see if we need an outside consultant. At the moment, we are not of the minds that we need one.

Alderman Lopez replied well we have a consultant and you might want to use him. I respect people that are in positions but sometimes you see a regular doctor when you might really need a surgeon and I think we have a surgeon on our side. That is just a comment. You can do whatever your authority allows you to do. Are there administrators in there talking at the same time with the insurance people? I will give you an example of what we did. We had a consultant and a lot of the Aldermen went out to the Airport. We had a better understanding of the insurance business where we could interject different questions that were very helpful with our HR Director. I am just throwing that out to you. I am not trying to...I am just throwing it out. It has been very successful for us in having a consultant an expert in the field to help with the insurance aspect of it. I talked to

a lot of School Board members and I am not indicating anything other than a question I had. I was told that they never see reports from the police who are in the schools. Do they generate reports for you as to what has happened to justify those positions?

Mr. Sanders asked could you explain what you mean by justify the positions.

Alderman Lopez answered well it is going to be \$664,000 for the police in your schools. Is that correct?

Mr. Sanders stated the middle and high schools is \$301,000 if you are talking about the resource officers.

Alderman Lopez asked are there reports that are generated that are provided to the administration as to what has happened in the schools because there is not a School Board member who can tell me.

Dr. Frank stated reports are generated on a daily basis from the SRO's to the administration. Some of those reports are verbal and some are written. It depends on the situation that has occurred. You should also know that there is a great deal of conversation and communication between the SRO's, the administration and the police department headquarters so there is a triangle loop in terms of the communication process that occurs at all of the schools and this is on a daily basis. The SRO's are there first thing in the morning and they are also there at the very end of the day. Occasionally they may leave the school to go to Police Headquarters or go to court but they spend their day at the school.

Alderman Lopez responded I understand that and I just want to know who sees any type of report as to what has been accomplished by having them in school.

Mr. Sanders replied the senior administrators are in the building so the principal and assistant principals and many of those reports are sent down to my office.

Alderman Lopez asked so no school board member ever sees those reports.

Mr. Sanders answered no. Occasionally a School Board member will ask for a report if there is an issue that goes before the Student Conduct Committee or if they want to ask a question about what occurred at a particular school if they heard rumors that there was a safety issue. In that case, we would give them the information that we received from the SRO as well as the building principal.

Alderman Lopez asked how many years have they been in school now.

Dr. Bass answered I think this is their third or fourth year in the Manchester schools.

Mayor Baines stated no. I have been over here for almost five years and I had a school liaison officer for at least four or five years before that.

Alderman Lopez stated I guess what I am saying too is who evaluates them to make sure that the program is working the way it was designed.

Dr. Bass replied they are evaluated by the Police Department.

Alderman Lopez responded I understand that. I am talking about the School District itself. Don't they have any input as to...where I am going with this because I have had a lot of complaints about different things in some school that it is time to go home and their kids are fighting out in the street but they are out of school and stuff like that. I am just trying to find out who does the evaluation to make sure. They are good being in the school but I am trying to...there is nobody in the School District that evaluates the program?

Dr. Bass stated there is no specific evaluation done by the building principals of the SRO in their particular building. If issues arise regarding the use or the procedure that an SRO may use then that complaint is forwarded to my office and then we meet with Lt. Riley from the Manchester Police Department.

Alderman Lopez stated Dr. Ludwell we have had School Boards negotiating. Do you have a different team this year negotiating or is it the School Board members who are negotiating?

Dr. Ludwell responded there are School Board members on the negotiating team but I think most of the actual negotiating is being done by administration.

Alderman Gatsas stated Bill you told me that there were 45 retirees that have notified you. Would you say that the average salary for those 45 retirees is about \$55,000?

Mr. Sanders responded that might be a little on the high side but I would say around \$50,000 on average.

Alderman Gatsas stated let's say \$55,000 because I am going to give you \$35,000 on the other end. If I do the 45 at \$55,000 that is \$2.4 million. If I do the 45 at \$35,000 that is \$1.5 million. So that is about \$900,000. If I take that deduction and that is an automatic offset, there is no disagreement there. If I take that and apply that to the Mayor's number then the rifting of teachers that we are talking

about, if we go any lower there is at least \$900,000 or \$1 million in play because the Mayor only cut \$1.3 million from your \$140 million. I just took care of \$1 million of that because you told me there was retirement and if another 10 teachers come in that number begins to grow.

Mr. Sanders responded we have in our budget as we have for many years...we make an annual estimate of what the savings will be on the teacher retirements and we have incorporated into our budget about \$800,000 - \$750,000 to \$800,000 of savings in our compensation line item for that. The other point that I would make is that in the year following the retirements, the teachers announce their retirement effective June 30 and in July we will be making a payment for their unused sick days which would be on average about 90 at their current salary as well as about a \$6,000 stipend on Social Security that some of the teachers get. Not all of them. We are estimating right now in next year's budget with these 45 retirements I think approximately \$1.4 million of retirement pay that will be due to these retired teachers in FY05 and that is incorporated in our salary line item as well.

Alderman Gatsas asked so in FY07 when 400 teachers are ready to retire you tell me what you are going to do. Maybe you are going to tell me that we are going to look to privatize schools.

Mayor Baines stated I would rather focus on this year's budget and get this resolved and deal with the future when the future is us I guess. Any other questions for the School District? So, this is the dilemma that the Board is in tonight. It is the same dilemma we had last year. Are you prepared at this time to support their present allocation as I recommended which would preclude them from sending out pink slips? I guess that is the question.

Alderman Lopez stated I think we would be prepared to have a special meeting and absorb some of the things that we talked about tonight.

Mayor Baines responded okay that would be fair. Also, I would ask in the meantime if you do have any questions and by the way during the budget process I don't know if I said this but I would like, as we have done in the year's past we have always asked the Aldermen to channel their requests through Seth Wall so that we don't have 14 people calling all of these people. He will get the information and send it out to all Board members. In the meantime, if you require some additional information from the School District, if you could get that request to Seth we can turn it around quickly to you and then we can talk about a special meeting. Is that what you are recommending Alderman? A special meeting prior to April 15?

Alderman Lopez responded yes in order to be fair to the School District.

Alderman Roy stated I do agree with you, Mayor, that we should do everything possible not to lay off teachers but I, for one, would like to delve into this a little bit and in doing so I would like to make the first request for information. First, the 45 teachers that are retiring if we could get their salary and benefit amounts as well as any information that has been given to principals or anything that has made it to the building level as to who would be laid off or pink slipped as of April 15 if that information is available. Where the breakdowns are, years of service and things like that so that the impact can be realized by the members of the Board of Aldermen.

Mr. Sanders responded it would not list names. It would list positions.

Alderman Roy replied absolutely. Years of service is actually what I am looking for.

Mayor Baines called for a recess to meet with the Chief Negotiator for a negotiating strategy session.

Mayor Baines called the meeting back to order.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman O'Neil it was voted to adjourn.

A True Record. Attest.

City Clerk